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# Japan at Davos meeting

Yone Sugita

**Why don't we go back to the Dodge line?**

More than 2,000 leaders and business executives from all over the world attended the annual World Economic Forum in Davos, Switzerland, last month. These leaders met to push for more economic growth and to discuss ways of improving the imbalance between developing and advanced nations.

On Jan 27, Yoshiro Mori, the first Japanese prime minister to attend the World Economic Forum, presented an optimistic view concerning the Japanese economic recovery, saying: "My conviction remains unwavering that the Japanese economy will soon have completed the adjustment of its balance sheet and will have fully regained its assets.... In completing the process of a full fledged rebirth, the Japanese economy will soon be in a position to once again take its place at the leading edge of the world economy."

In the 1990s, successive Japanese governments were unable to mitigate the negative effects of the collapse of the bubble economy, when the average growth rate was only 1.5%. Mori claimed that four major strategies in terms of economic and social structural reforms were necessary for "overcoming the after effects of the bubble economy"" and for positioning itself "to stage a full recovery."

These strategies include: (1) ambitious promotion of the information technology revolution within five years; (2) deregulation through restructuring the central government bureaucracy and reducing national servants; (3) educational reform to develop Japanese independence of mind and creativeness; and (4) a clear and comprehensive program for the Japanese economic recovery in order for it to serve once again as "the vanguard of the world economy."

In contrast, the audience was quite pessimistic about Japan's future. One of the major obstacles for Japan's recovery is the nation's public debt. Although Mori admits that the debt is at "an extremely high level," he provided no resolute measures to implement fiscal reform. In addition, Japan is particularly vulnerable to the current economic slowdown in the United States.

Fifty-two years ago, Joseph Dodge stabilised the Japanese economy. Today, very few Japanese are prepared for the magnitude of the Dodge style economic reforms necessary to make the stagnated nation stable, but it is time for the Japanese to listen to what Dodge said over half a century ago.

Dodge insisted that "the record reveals that careless and large scale credit extension has encouraged speculative activity, rapidly rising wages and prices, ineffective management and unsound business practice."

Although many Japanese companies have been undergoing restructuring processes, still further introduction of foreign direct investment and innovative business practices may be necessary to improve their competitive power.

Dodge added that "the strictest emphasis should be on investment in capital outlay which contributes quickly and directly to increased output and productivity. Housing, education, welfare and similar programs contribute to this only indirectly."

He reaffirmed that what Japan needed was "productive projects. A completely realistic approach would suggest that public works should be eliminated entirely until productive capacity had been replenished."

The concept of a welfare state is popular in advanced capitalist countries today, but, in order to achieve economic recovery, it is high time for Japanese society to reconsider this idea.

A half century later, we cannot take Dodge's words literally, but we should reconsider the essence of the Dodge Line: small government results in economic stability and future growth.

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